

## Debt Service Fund

### **PURPOSE**

The County Debt Service Fund provides for the payment of principal and interest on long-term debt of the County. These payments of principal and interest, known as "debt service," are usually made over a 20-year period before the bonds are fully repaid.

### **BUDGET COMMENTS**

**Fund Balance** - The fund balance has been established to stabilize ongoing contributions from recurring County revenue to accommodate fluctuations in debt service without increases in the tax rate. Example - debt service spending is expected to increase from FY 2004 by over \$2 million in FY 2005. The ongoing fund balance will be drawn down to partially absorb that increase - avoiding a large increase from recurring tax revenue.

**Revenues** - The major source of funding for debt service are annual contributions from the County General Fund. For three years, beginning in FY 2003, the equivalent of two-cents on the tax rate is proposed as an additional annual contribution to build the fund balance in anticipation of major debt issues in FY 2004-2006, including the debt for a new high school.

The operating budget of the County is, therefore, balanced at an 85-cent rate. In FY 2006, when this special dedication is scheduled to end, the equivalent of two cents on the tax rate can be either reallocated to the additional operating costs of the high school or provide the opportunity for a reduction in the tax rate.

In FY 2004, State construction money from the Literary Fund is proposed to be used to help offset debt service costs. Future State capital funding, if any, is expected to be allocated for school projects in the Capital Budget.

**Expenditures** - Refinancings in FY 2003 have resulted in slight reduction in future debt service payments, those reductions are reflected in the following debt service schedule.

Four new debt financings are anticipated over the next several years and debt service for each of those projects is included in the schedule:

Radio System - approximately \$10 million to be issued in the late spring 2003 as the County's share of the costs of a regional 800-MHz public safety communications system.

Student Services Building - approximately \$3.2 million to be issued in late Spring 2004 for the County's share of the costs of a Williamsburg-James City County School Building to house student services, purchasing, the Center for Excellence, and other Williamsburg-James City County School functions currently in leased space.

High School - approximately \$38 million to fund the County's share of a 1,250-student capacity high school. The debt is programmed to be issued in the spring of 2005 following a 2004 voter referendum.

Sports Stadium - an estimated \$6.3 million is programmed in the spring of 2006 to build an athletic stadium for school and recreational athletic events.

The debt service costs for new facilities are presented for planning purposes only. These costs depend on whether the projects are built, how much each would cost, how much of the total construction price would be borrowed and what the terms and interest rates of the borrowings will be. At this time, they are only educated guesses.